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ABSTRACT

This report describes the annual federal budget and appropriations process, which involves the President's budget request, Congress' Budget Resolution, and 13 appropriations bills by the House and Senate Appropriations Committees. The process involves reconciliation, which allows certain House and Senate authorizing committees to produce legislation making cost-reducing changes to programs under their jurisdiction, and rescissions, which allows the Congress and President to change their minds about earlier decisions. The fiscal year (FY) 1999 process started with the Presidents' budget request in February 1998. The House and Senate Budget Committees began working on the FY 1999 Budget Resolution. House Republicans had trouble bringing a Budget Resolution to the floor, and the 105th Congress failed to complete a Budget Resolution. Several Appropriations bills were not passed in time for FY 1999. Several continuing resolutions kept the government operating at FY 1998 funding levels while negotiations occurred on an Omnibus Appropriations bill, which would contain all unfinished bills in one piece of legislation. The FY 1999 District of Columbia Appropriations bill became a vehicle for considering contentious education issues. In October 1998, the Omnibus Appropriations bill was signed. The bill contains funding and authorizing language for the President's Class Size Reduction proposal and his America Reads initiative. A chart compares fiscal year 1998 appropriations, the President's funding request, Congressional requests, and the final fiscal year 1999 appropriations for selected education programs. (SM)

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Appropriations for Fiscal Year 1999

An Issue Paper by:

Michelle M. Buehlmann

November 10, 1998

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Appropriations for Fiscal Year 1999

Federal Budget Resolution

The annual federal budget and appropriations process begins with the President's budget request, released in early February. The Congress then develops a Budget Resolution that reflects congressional spending priorities. This resolution must be adopted by both the House and the Senate. If House and Senate Budget Resolutions differ -- normally the case -- the legislation moves to a conference committee to iron out the differences. Unlike other bills, the Budget Resolution does not go to the President to be signed. Thus, the President may disagree with the final budget document, but has no opportunity to veto it as he does with other legislation. Development and passage of a congressional Budget Resolution is supposed to occur by April 15, before House and Senate Appropriations Committees begin allocating funds to specific federal programs.

The Budget Resolution lays out spending allocations by broad functions. It also sets forth the debt ceiling, which may be automatically triggered by the adoption of the resolution. The Budget Resolution also may contain reconciliation instructions--recommendations for the Authorizing Committees on how to achieve the spending parameters set forth in the budget resolution. The three major parts of the Budget Resolution -- function allocations, debt ceiling, and reconciliation instructions -- are intended to be followed, but with the exception of the debt ceiling, often only serve as guidelines.

Function Allocations

Following action on the Budget Resolution, House and Senate Appropriations Committees must prepare and pass 13 appropriations bills to fund the various branches of the federal government. To do this, the Appropriations Committee must take the function allocations in the budget Resolution and translate them into funding guidelines for each of the 13 appropriations bills. Because the budget functions and the appropriations categories aren't an exact match, the House and Senate Appropriations Committees have some discretion in assigning money to each of the 13 subcommittees that will develop individual bills. These assignments are called 602b's or 302b's. Working within these allocations, each subcommittee must write its own legislation. Responsibility for funding education programs goes to the House and Senate Labor, Health and Human Services, Education, and Related Agencies Subcommittees.

Appropriations

The total spending of the Appropriations Committee, which is called discretionary spending, must remain inside the discretionary caps that are set forth in law. All 13 Appropriations bills must be completed and signed into law by the start of the fiscal year, October 1. If this does not happen, those sections of the federal government funded through the incomplete appropriations bills must stop operations. To avoid closing portions of the federal government, the Congress may enact a continuing resolution (CR). This is a legislative measure that extends funding for federal programs at a specified level for a set period of time. CR's are intended to be short term measures to keep the government functioning while work on appropriations bills is completed. Appropriations bills usually travel the normal legislative process in both chambers: hearings, subcommittee markup, full committee markup, and floor consideration, followed by

conference, final passage, and a presidential signature. The process is set up for the 13 appropriations bills to be considered as separate pieces of legislation.

Reconciliations

Reconciliation is the process by which certain House and Senate authorizing committees are instructed to produce legislation making changes to programs under their jurisdiction for the purpose of cost reduction. Reconciliation also contains instructions for changes to the tax code and mandatory programs such as Social Security or Medicare. The various committees are to report the needed changes to the Budget Committee early in the budget-making process. It is the responsibility of the Budget Committee to compile any changes into one bill. In some instances, however, the Budget Committee will ignore or modify the requests from the authorizing committees. Reconciliations can be a powerful legislative tool to force changes in federal programs that the authorizing committees may not support.

Rescissions

The final step in the Budget and Appropriations process is Rescissions. Rescissions usually take place in the spring after the fiscal year is under way. It is the means by which the Congress and the President can change their minds about what they agreed to in the fall. Rescissions start when the President delivers a message to Congress requesting cancellation of appropriations. The Congress has 45 days of "continuous session" in which to affirm the President's request. The Congress has the choice to affirm the request in part or in whole, or not at all. Congress may also choose to rescind funds not included in the President's message. Any part of the initial message affirmed by Congress loses its money. If the Congress fails to affirm the message within the 45 days, the President is required by law to allocate the funds according to the governing appropriations law. Any items not included in the initial message must be agreed to by the President before the funding is terminated.

FY 1999

The fiscal year 1999 process started when the President delivered his budget request on February 2, 1998. The President presented a proposal that would lead to a balanced budget, which was a key issue for Republicans. However, it contained many new programs, as well as cuts in some beloved Republican programs such as LIHEAP (Low Income Heat and Energy Assistance Program). The Request also included $66 billion over five years from tobacco related revenues. Congress was never able to complete action on tobacco legislation, so those revenues never materialized.

Budget Derailed

With this unsteady backdrop the House and Senate Budget Committees began to work on the FY '99 Budget Resolution. The Senate passed the Budget Resolution S. Con. Res. 86 on April 2, however by the beginning of May it was clear that Republicans in the House would have trouble bringing a Budget Resolution to the floor. In the end, it was suggested that the Democrats offer the Senate Budget Resolution as their "Motion to Recommit Forthwith" which is a procedural move that operates like an amendment and does not delay the proceedings. It was speculated that such a move would win, the Budget Resolution would be complete, and the House Budget Committee and the House leadership would have no room to negotiate with the Senate. Rather than endure this humiliation the House never brought the Budget Resolution to the floor. The 105th Congress' failure to complete a Budget Resolution was historic. Every Congress since 1974, when the practice began, has adopted a Budget Resolution.

FY 1999 Appropriations

Under the statutory authority which

details the budget and Appropriations process, if the Budget Resolution is not completed by May 15th the full House or Senate may begin consideration of the Appropriations bills. In spite of the May 15th start date, the first bills were not considered on the floor until the latter half of June. By the end of June the House had passed five of the remaining13 bills and the Senate had passed two. When the Congress adjourned for the August recess, the House had passed one conference report, but the Senate had not yet adopted it. The House had passed eight of the 13 bills, which still needed to be conferenced with the Senate. When the Senate left for August recess they had passed six of the 13 bills. Only four bills had not yet been passed by either Chamber -- Commerce, Justice, State and the Judiciary; District of Columbia; Foreign Operations; and Labor, Health and Human Services, Education.

When the Senate returned from August recess, Senator Specter's subcommittee reported their version of the Labor, Health and Human Services, Education Appropriations bill to the full committee. On September 3, 1998, the Senate Appropriations Committee approved the Labor, Health and Human Services, Education Appropriations bill and included provisions providing funding for Teacher Quality Enhancement Grants and Teacher Training Partnerships Grants, two parts of the teacher preparation legislation contained in the then pending Higher Education Amendments of 1998. The Appropriations bill was never considered by the full Senate.

The House Appropriations Committee did not include funding for teacher education related provisions in their version of the Labor, Health and Human Services Education Appropriations bill, which was reported to the full House on July 20, 1998 after the subcommittee and the full committee had considered the measure.

Fiscal Year 1999 began on October 1, 1998; however, several continuing resolutions (CR) were used to keep the government operating at FY '98 funding levels while negotiations continued on an Omnibus Appropriations bill which would contain all unfinished bills in one piece of legislation rather than the traditional method of considering each bill independently.

On October 1, the House Rules Committee reported H. Res. 564 establishing the rules of debate for consideration of the Labor, Health and Human Services, Education Appropriations bill before the full House. On October 8, after the House took its historic vote to officially commence an impeachment inquiry, the debate began. House consideration of the Appropriations bill was tied up over family planning language, known as Title X funding. The bill was pulled from the floor and a vote on final passage never occurred.

Education Issues in Appropriations Bills

The FY '99 District of Columbia Appropriations bill became a vehicle to consider contentious education issues. House Republican's threatened to attach vouchers to enable District residents to send their children to any private or public school of their choice. Similar language was included in the FY 1998 District of Columbia Appropriations bill, but was dropped at the last minute.

In the Senate, Democrats threatened to add two of Clinton's major education initiatives to the DC Appropriations Bill -- funding for hiring new teachers to reduce class size, and money for repair and construction of school buildings.

Senate Minority Leader Tom Daschle (D-SD) and Ranking Minority Member of the Labor and Human Resources Committee Senator Edward Kennedy (D-MA), threatened to attach a provision to the D.C. Appro-

priations bill to enable implementation of a voluntary version of the President's national test. Given the steadfast opposition of the Republican party to the President's national test, the Daschle-Kennedy effort threatened to bring about heavy partisan bickering. The full Senate never considered the District of Columbia Appropriations bill. It was rolled into the Omnibus Appropriations bill along with seven other appropriations bills.

The Omnibus Appropriations Bills

In early October the White House and Congressional Leaders met to negotiate one large bill to cover all unfinished appropriations bills. The House adopted the measure on October 20 and on October 21, 1998, 22 days after the start of the new fiscal year, the Senate passed, and the President signed, the Omnibus Appropriations bill.

Many Members of Congress complained about the process by which this bill was developed. Senator John McCain (R-AZ) and Senator Robert Byrd (D-WV) opposed the bill because they believed the process was disrespectful of the Congress' role in fiscal matters.

The large bill (almost 4,000 pages) contained funding and authorizing language for the President's Class Size Reduction proposal and his America Reads initiative, which is now called the Reading Excellence Act.

Class Size Reduction

The Class Size Reduction initiative as enacted through the Omnibus Appropriations bill awards money to each state on a formula basis. State are required to award 100 percent of their funds to local education agencies within their state. The awards are to be based 80 percent on poverty and 20 percent on enrollment. LEAs which receive awards must use the funds "to carry out effective approaches to reducing class size with highly qualified teachers to improve educational achievement" for all children.

In addition, LEAs may use funds to recruit, hire and train certified teachers. Furthermore, local education agencies may choose to spend up to 15 percent of their funds for testing new teachers or for professional development schools. No more than three percent of the funds may be used by the local educational agency for administrative expenses.

If a local educational agency has already reduced class size below 18 in the early grades it may use the funds to further their class size reduction efforts in grades one through three; reduce class size in kindergarten and other grades; or carry out activities to improve teacher quality which could include professional development.

Reading Excellence Act

The Reading Excellence Act found in the Omnibus Appropriations bill is an amendment to the Title II, Eisenhower Professional Development program, of the Elementary and Secondary Education Act. Through the Omnibus bill a new part was added creating Reading and Literacy Grants. Funding is appropriated in the amount of $260 million for fiscal year 1999, but the funds do not become available until July 1, 1999, and remain available only until September 30, 2000.

The Secretary will award grants to SEAs on a competitive basis with priority given to states that are, have, or will be, in the next 18 months, strengthening the training and certification requirements for elementary school teachers. Such changes must reflect scientifically based reading research. To receive a grant, the Governor and the State Educational Agency and others must establish a partnership. The partnership may include a representative from an institution of higher education, but higher education involvement is not required. The partnership shall assist in the development of the state plan, be involved in advising on the selection of subgrantees, and assist in the oversight

and evaluation of subgrantees.

State grant funds are to be used for three purposes: (1) up to five percent for administration of the program not including tutorial assistance subgrants; (2) up to 15 percent for tutorial assistance subgrants, including administration of such subgrants; and (3) local reading improvement subgrants. Throughout the bill, emphasis is placed on reading instruction based on "scientifically based reading research." There is also discussion of phonemes and the relation of sound to reading. The legislation appears to promote phonics.

The local reading improvement subgrants are made to LEAs for two years and are awarded on a competitive basis. LEAs may use these grants for activities to advance reform of reading instruction in their largest and highest poverty schools. Allowable activities include securing technical and other assistance, providing professional development, providing parental assistance, carrying out family literacy services, and providing additional reading instruction to students facing reading difficulties or who have special education referrals.

Competitive tutorial assistance subgrants are made to LEAs for the provision of tutorial assistance in reading, before school, on weekends, or during the summer to children who have difficulty reading. LEAs are required to develop a system, or process, for choosing eligible providers and students, providing parents of eligible children with multiple choices of tutorial assistance providers, making contact with providers, and overseeing the quality and effectiveness of providers.

The legislation also appropriates $87 million for National Activities in technology authorized through Section 3122 of the Elementary and Secondary Education Act in accordance with the President's Budget request. These funds were not included in either the House or Senate versions of any appropriations bill. Included in the National Activities is a teacher training in technology program to ensure that all new teachers are prepared to use technology effectively in the classroom to enhance student learning. Funds will be awarded on a competitive basis to a consortia of State and LEAs, institutions of higher education, and other public and private entities for projects providing intensive training and support to new teachers.

Conclusion

In the Omnibus Appropriations bill it is estimated that approximately $9.1 billion was forward funded. "Forward funded" means that the funds do not become available at the start of the fiscal year. The date of obligation is delayed usually until July 1, for education related programs. Of the $9.1 billion, $6.1 billion can be attributed to Title I of the Elementary and Secondary Education Act. This places a great deal of pressure on the Labor, Health and Human Services, Education Appropriations bill for fiscal year 2000 and could result in a 7.5 percent drop in funding for this bill in order to meet currently required budgetary constraints. Another important consideration is the issue of rescissions. Since forward funded items have not yet been spent they are likely candidates for any rescission which may occur.

The accompanying chart compares FY 1998 Appropriations, the President's funding request, Congressional requests and the final FY 1999 Appropriations for selected education programs.

FY 1999 Appropriations for Selected Education Programs

Title III - Education	FY '98	FY '99 Request	House	Senate	FY '99
Goals 2000 Educate America Act					
State Grants foward funded	464,500	474,000	219,000	464,500	464,500
State Grants current funded	1,500	2,000	1,500	1,500	1,500
Parental Assistance	25,000	25,000	25,000	30,000	30,000
Subtotal Goals 2000	491,000	501,000	245,500	496,000	491,000
Education Technology					
Technology for Education	541,000	591,000	541,000	561,000	550,100
National Activities					
Technology Leadership Activites	- - -	2,000	- - -	- - -	2,000
Preservice Teacher Training	- - -	75,000	- - -	- - -	75,000
Community-Based Technology	- - -	10,000	- - -	- - -	10,000
Subtotal	541,000	678,000	541,000	561,000	637,100
Professional Development	335,000	335,000	285,000	335,000	335,000
Program Innovation	350,000	- - -	400,000	350,000	375,000
Class Size - Reduction	- - -	- - - *	- - -	- - -	1,200,000
Safe and Drug Free Schools	556,000	606,000	556,000	556,000	566,000
Charter Schools	80,000	100,000	100,000	80,000	100,000
Bilingual Education					
Instructional Services	160,000	168,000	160,000	160,000	160,000
Support Services	14,000	14,000	14,000	14,000	14,000
Professional Development	25,000	50,000	25,000	25,000	50,000
Special Education	4,810,646	4,845,646	5,104,146	5,112,946	5,124,146
Higher Ed. Program Development					
FIPSE	25,200	22,500	22,500	22,500	50,000
Minority Teacher Recruitment	2,212	67,000	2,212	2,212	2,212
Minority Science Improvement	5,255	7,500	7,500	5,255	7,500
Gear Up	- - -	140,000	- - -	75,000	120,000

* President Requested these funds on the mandatory side of the Budget which is why the request column shows no request.

Title III - Education	FY '98	FY '99 Request	House	Senate	FY '99
Improving Teacher Quality					
Teacher Quality Enhancement Grants	---	---	---	37,500	75,000
Teacher Training Partnership Grants	---	---	---	37,500	---
Child Care Access Means Parents in Schools	---	---	---	---	5,000
Demonstration in Disabilities/ Higher Education	---	---	---	---	5,000
Web Based Education Commission	---	---	---	---	450
Underground Railroad Program	---	---	---	---	1,750
Research and Statistics					
Research	72,567	72,567	72,567	72,567	82,567
Regional Education Laboratories	56,000	56,000	56,000	56,000	61,000
Statistics	59,000	68,000	68,000	59,000	68,000
Interagency Research Initiative	---	50,000	---	---	---
Assessment					
National Assessment	32,000	36,000	36,000	32,000	36,000
National Assessment Governing board	3,471	4,000	4,000	3,471	4,000
Fund for Improvement of Education	108,100	105,000	90,000	115,000	147,000
International Education Exchange	5,000	5,000	5,000	7,000	7,000
21st Century Community Learning Centers	40,000	200,000	60,000	75,000	200,000
Civics Education	5,500	6,300	6,300	7,500	7,500
Eisenhower Professional Dev. National Act.	23,300	50,000	23,300	23,300	23,300
Eisenhower Regional Math & Science Consortia	15,000	25,000	15,000	15,000	15,000
Javits Gifted and Talented Education	6,500	6,500	6,500	6,500	6,500
National Writing Project	5,000	5,000	5,000	7,000	7,000

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